

**KAWEAH DELTA HEALTH CARE DISTRICT**

**MEMO**

**To:** District Board Members

**From:** Marc Mertz, VP of Strategic Planning & Development  
Deborah Volosin, Director of Community Engagement

**Subject:** District Boundaries Study

**Date:** May 29, 2019

In preparation for the special Kaweah Delta Health Care District Board meeting scheduled for June 3<sup>rd</sup> to discuss district boundaries, we have attached a report for your review. We engaged with QK, Inc. to help us conduct a study of California health care district regulations and processes as well as any potential opportunities to merge with neighboring districts. The attached report presents their findings. Representatives from QK, Inc. will attend the meeting on the 3<sup>rd</sup> to answer any questions you may have. Kaweah Delta management will facilitate a board discussion regarding district boundary opportunities and corresponding next steps.

## BOUNDARIES STUDY

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# KAWEAH DELTA HEALTH CARE DISTRICT



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MAY 2019

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## BOUNDARIES STUDY

# KAWeah DELTA HEALTH CARE DISTRICT

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## **INTRODUCTION**

### ***The Study and Its Objectives***

At the time of the last, unsuccessful, Kaweah Delta District bond issue campaign to authorize financing of needed Hospital facilities, there were two major concerns expressed by District voters:

1. The cost of the proposed facilities; and
2. The fact that approximately 48% of the Hospital's patients reside outside the Kaweah Delta District and 'were not sharing in the costs of building and operating the Hospital.' Approximately 24% of the patients reside in these study areas being evaluated for consolidation or annexation in this report.

With respect to these concerns, Kaweah Delta is preparing for the badly needed "extra bed" expansion of its facilities by reducing costs of and step-scheduling construction, and by seeking all available non-bond issue financing. In addition, there is an effort to educate stakeholders about the District's finances, including the understanding that all the annual District property tax revenues (for both facilities construction and Hospital operations) are a very small fraction of the District's total annual costs. In 2017, the total portion of the 1% property tax collected for Hospital operations and maintenance was \$1,334,210, which provides less than one day of the operating costs of the Hospital.<sup>1</sup> The overwhelming majority of the costs are patient or public/private insurance financed.

It is also true that the rural health care clinics operated by Kaweah Delta in out-of-District communities pay their own way from usage fees and revenues.

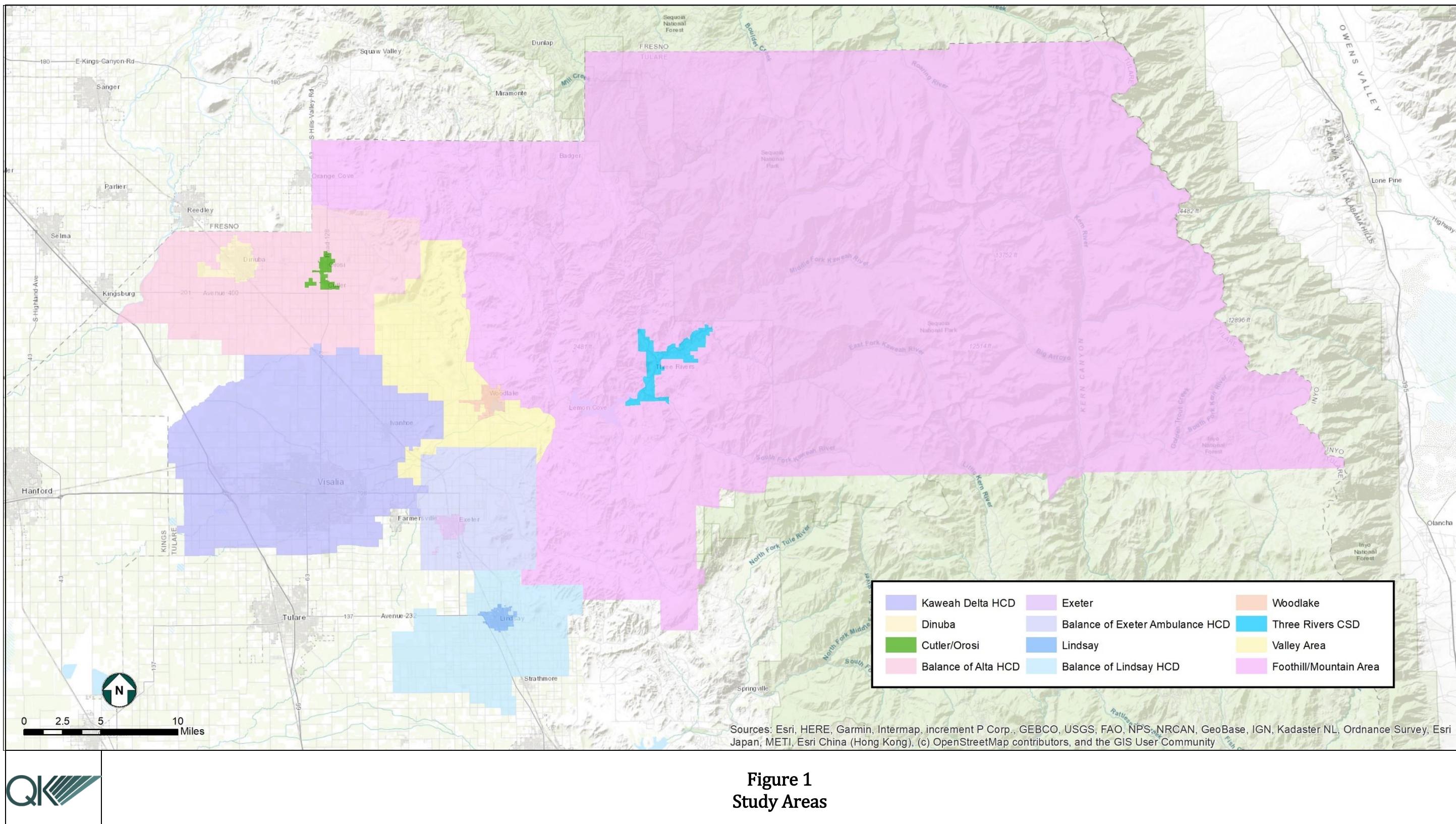
Nevertheless, Kaweah Delta District voters perceived an inequity, feeling that other nearby Kaweah District Hospital-served areas should be part of the District. This could be achieved in different ways for each outlying area. There are seven other hospital districts at least partially within Tulare County besides Kaweah Delta. Three of them, Alta Hospital District, Exeter District Ambulance, and Lindsay Local Hospital District do not operate a hospital. There are only two District Hospitals – Kaweah Delta and Sierra View. The former Tulare District Hospital is being operated by Adventist Health Care. The North Kern/South Tulare Health Care District and Kingsburg Tri-County Healthcare District are mostly in other counties.

In the Alta Hospital District area, and in the Exeter District Ambulance and Lindsay Hospital District areas, amalgamation could be achieved by action of the District Boards, merging the Districts through a process called district consolidation. In other areas – Woodlake, for example, where Kaweah Delta also operates a rural health clinic – other forms of boundaries change such as annexation are legally feasible.

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<sup>1</sup> CA State Controller's Office, 2017

This study has been prepared to assist Kaweah Delta Health Care District and other interested parties in evaluating the benefit, costs, and feasibility or desirability of considering expansion of the District's boundaries. To that end, the study provides data and analysis for informed decision-making by both Kaweah Delta's Board and its citizens and other District Boards and their citizens. The areas included in the study are shown on the attached Figure 1.



## **EXECUTIVE SUMMARY**

This study documents and evaluates the costs and benefits provided by Kaweah Delta's core Hospital services to both the citizens within the District and the region, and the costs and benefits of the Kaweah Delta medical facilities located in four out-of-District, bordering, communities – Dinuba, Exeter, Lindsay and Woodlake. It then describes the legal feasibility, and the processes, by which Kaweah Delta's out-of-District service area citizens could participate in District governance and operations.

Included in the summarized data from the study is the following:

- The cost of Kaweah Delta's operation and maintenance of the four rural health clinics, and the revenues therefrom, are:

<b>12 Months Revenues and Costs</b>			
	<b>Cost</b>	<b>Income<sup>2</sup></b>	<b>Visits</b>
Dinuba	\$1,348,000	\$1,492,000	14,460
Exeter	\$8,206,000	\$11,476,000	105,860
Lindsay	\$721,000	\$1,217,000	11,370
Woodlake	\$857,000	\$1,289,000	11,980
<b>TOTAL</b>	<b>\$11,132,000</b>	<b>\$15,474,000</b>	<b>143,670</b>

The amount of the revenues from each facility is determined by the fees required to be charged for each service by public and private health care insurance. Kaweah Delta provides the maximum patient services allowable within these reimbursable charges. These facilities reduce the need for over-usage of core Kaweah Delta Urgent Care and emergency room and Hospital facilities and provide revenues in compensation for such services.

Rural health care clinic users benefit by having nearby health care; the Hospital and emergency room benefit by reduction in their usage. It should be noted that Kaweah Delta proposes to continue to provide these clinics whether or not District consolidations or District boundary-change annexations take place.

- Fifty-two percent of the Hospital's inpatients are from within the current District boundaries; 24% are from nearby, bordering, smaller communities. The balance of the 48% of the 2,391,000 total inpatients (24%) are patients from elsewhere attracted by local doctors and high-quality Hospital facilities and services.
- Kaweah Delta's assessed value tax base is \$13,215,046,432. The corresponding tax base for the rural health clinic-served community areas is \$4,411,000,000, approximately 33% as much.

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<sup>2</sup> Net patient revenues; estimated, 2018

- Kaweah Delta's annual tax-based revenues, including existing bond repayments, are approximately \$4,343,799 in 2017<sup>3</sup>.
- The legal processes for Districts' consolidation, or annexations, are relatively simple and are regulated by the Tulare County Local Agency Formation Commission (LAFCo) to fully assure that such changes are made only in accord with the wishes of the residents of any affected area. They can be initiated, for District consolidations, by District Board agreements, or for annexations, by citizen petition. Such changes must be based upon mutually decided and LAFCo approved agreements.

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<sup>3</sup> CA State Controller's Office, 2017

## **SECTION 1 - KAWEAH DELTA EMERGENCY AND URGENT CARE FACILITIES**

### **1.1 - Facilities within the District Boundary**

The Hospital emergency room revenues were approximately \$40,610,000 in 2018; corresponding expenses were \$40,957,000.<sup>4</sup>

The Visalia Urgent Care, and "Prompt Care" facilities' revenues were approximately \$13,040,000, the corresponding costs were \$8,860,000, in 2018.<sup>3</sup>

Patients that utilize the Kaweah Delta HCD as a healthcare provider are scattered throughout the region. Based on location, patients may travel considerable distances for care. Kaweah Delta is the largest provider of care in these communities. However, the breakdown by community in Table 1 shows which communities utilize the District facilities most frequently.

**Table 1**  
**Kaweah Delta's Visalia Emergency/Urgent Care Facilities Market Share, 2017**

Community	Market Share
Visalia	78.8%
Dinuba/Cutler/Orosi	45.1%
Exeter	80.6%
Woodlake	82.8%
Lindsay	48.2%
Three Rivers	61.9%

Source: OSHPD Inpatient Data Set Calendar Year 2017

Appendix A provides residence location-related information regarding emergency department (emergency room, urgent care and prompt care) usage by patients using these facilities.<sup>5</sup>

### **1.2 - Facilities Outside the District Boundary**

#### **1.2.1 - DINUBA**

Kaweah Delta HCD operates a rural health care clinic located at 355 Monte Vista Drive in Dinuba (Figure 2). It serves 14,400 patients annually in the Dinuba, Cutler, and Orosi communities. The costs of, and revenues from, such services are \$1,700,000 and \$1,990,000 annually. The clinic is located within the boundaries of Alta Hospital District.

The Alta Hospital District contains approximately 50,602 people (with a registered voter population of approximately 14,038). The assessed value of the properties in the District is

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<sup>4</sup> Estimated by extension of 9 months revenues

<sup>5</sup> Kaweah Delta Health Care District, Steven Collings, Analyst, March 2019

\$2,660,999,263. Of the total population with Alta Hospital District, 47.0% resides in Dinuba, 26.9% in Cutler-Orosi, and 26.1% in the remaining unincorporated rural areas.

Even though their hospital closed years ago, the Alta Hospital District is still an active District and still collects property taxes. Consolidation of that District and of Kaweah Delta Health Care District could be effected by action of the two District Boards.



**Figure 2**  
**Dinuba Rural Health Care Clinic**  
**Monte Vista Drive, Dinuba**

The current taxation rate in the Kaweah Delta District for all Hospital costs, including repayment of existing bond issues, is \$0.018094 per \$100 of assessed value. If a similar tax rate on Alta Hospital District ratepayers was applied, it would result in annual revenues of approximately \$481,000. However, in the event of District consolidation, the assumption of existing capital facilities bonded costs by the Alta ratepayers may be waived by mutual consent of District Boards.

Perhaps typical of small Districts when their hospital is closed, Alta Health Care District had tax-based revenues of approximately \$467,000 in 2017/2018, with expenditures of \$14,000 for Health Care Grants and \$117,000 for general and administrative costs (annual Financial Report for Year Ended June 30, 2018).

### **1.2.2 - EXETER**

Kaweah Delta HCD operates a rural health care clinic located at 1014 San Juan Avenue in Exeter (Figure 3). It serves 105,860 patients annually. The costs of, and revenues from, such services are \$8,206,000 and \$11,476,000 annually. The clinic is located within the boundaries of Exeter District Ambulance.

The Exeter District Ambulance contains 15,294 people (with a registered voter population of 5,665). The assessed value of the properties in the District is \$1,220,648,355; 69.8% of the population resides in Exeter, 30.2% in surrounding unincorporated areas.

The current taxation rate in the Kaweah Delta District for all Hospital costs, including repayment of existing bond issues, is \$0.018094 per \$100 of assessed value. A similar tax rate on Exeter District Ambulance ratepayers would result in annual revenues of approximately \$220,000. Again, assumption of existing bonded costs is not required to be transferred to new ratepayers brought into Kaweah Delta HCD.



**Figure 3**  
**Exeter Rural Health Clinic**  
**1014 San Juan Avenue, Exeter**

### **1.2.3 - LINDSAY**

Kaweah Delta HCD operates a rural health care clinic located at 839 N. Sequoia Avenue in Lindsay (Figure 4). It serves 11,370 patients annually. The costs of, and revenues from, such

services are \$721,000 and \$1,217,000 annually. The clinic is located within the boundaries of Lindsay Local Hospital District.

The Lindsay Local Hospital District contains 20,083 people (with a registered voter population of 5,502). The assessed value of the properties in the District is \$987,860,159; 65.6% of the population resides in Lindsay, 34.4% in the surrounding unincorporated area.

The current taxation rate in the Kaweah Delta District for all Hospital costs, including repayment of existing bond issues, is \$0.018094 per \$100 of assessed value. A similar tax rate on Lindsay Local Hospital District ratepayers would result in annual revenues of approximately \$179,000. As before, assumption of existing bonded costs is not required to be transferred to new ratepayers brought into Kaweah Delta HCD.



**Figure 4**  
**Lindsay Rural Health Care Clinic**  
**839 N. Sequoia Avenue, Lindsay**

#### **1.2.4 - WOODLAKE/THREE RIVERS AREA**

The Woodlake, Three Rivers and adjacent valley and foothill areas are served by a Kaweah Delta rural health care clinic located at 180 E. Antelope Avenue in Woodlake (Figure 5). It serves 11,980 patients annually. The costs of, and revenues from, such services are \$857,000 and \$1,289,000 annually.

## **Kaweah Delta Emergency and Urgent Care Facilities**

This area contains approximately 15,281 people (with a registered voter population of approximately 6,028). The assessed value of the properties in the area is \$1,335,023,308; 49.9% of the population resides in Woodlake, 14.3% in Three Rivers and 35.8% in the unincorporated valley and foothill areas of this region.

The current taxation rate in the Kaweah Delta District for all Hospital costs, including repayment of existing bond issues, is \$0.018094 per \$100 of assessed value. A similar tax rate on Woodlake, Three Rivers, valley and foothill area ratepayers would result in annual revenues of approximately \$242,000. If annexation of these areas were proposed, the District would need to state in its proposal if the new territories annexed would be required to contribute to the existing bond repayment or not.



**Figure 5**  
**Woodlake Rural Health Care Clinic**  
**180 E. Antelope Avenue, Woodlake**

## **SECTION 2 - DATA SUMMARY**

The data collected for this report has been divided into various study areas to provide insight into the distribution of residents, registered voters, and the overall assessed value of property. These categories were chosen due to their potential impact on various future actions of the District such as District consolidation or establishment of a bond assessment through the Proposition 218 process.

The study areas are:

- Kaweah Delta Health Care District
- Alta Hospital District
  - Dinuba
  - Cutler/Orosi
  - Balance of District
- Exeter District Ambulance
  - Exeter
  - Balance of District (including a portion of Farmersville)
- Lindsay Local Hospital District
  - Lindsay
  - Balance of District
- Northeast County Area
  - Woodlake
  - Three Rivers Community Services District (CSD)
  - Valley Area
  - Foothill/Mountain Area

### **2.1 - Population**

The total population for all the study areas is 252,090 residents. The Kaweah Delta HCD has approximately 60% (150,830 residents) of that population, three times as many residents as the next most populated study area, Alta Hospital District (50,602 residents).

Populations of each subarea are shown in Table 2. A population density map is provided as Figure 6.

**Table 2**  
**Study Areas Population Estimates**

Study Area	Total Population	% of Total
<b>Kaweah Delta Health Care District</b>	<b>150,830</b>	<b>59.8%</b>
Alta Hospital District	50,602	20.1%
Within Dinuba	23,772	9.4%
Within Cutler or Orosi	13,610	5.4%
Balance of District	13,220	5.2%
<b>Exeter District Ambulance</b>	<b>15,294</b>	<b>6.1%</b>
Within Exeter	10,520	4.2%
Balance of District	4,774	1.9%
<b>Lindsay Local Hospital District</b>	<b>20,083</b>	<b>7.9%</b>
Within Lindsay	13,167	5.2%
Balance of District	6,916	2.7%
<b>Northeast County Area</b>	<b>15,281</b>	<b>6.1%</b>
Within Woodlake	7,631	3.0%
Within Three Rivers CSD	2,182	0.9%
Valley Area	3,725	1.5%
Foothill/Mountain Area	1,743	0.7%
<b>TOTALS</b>	<b>252,090</b>	<b>100.0%</b>

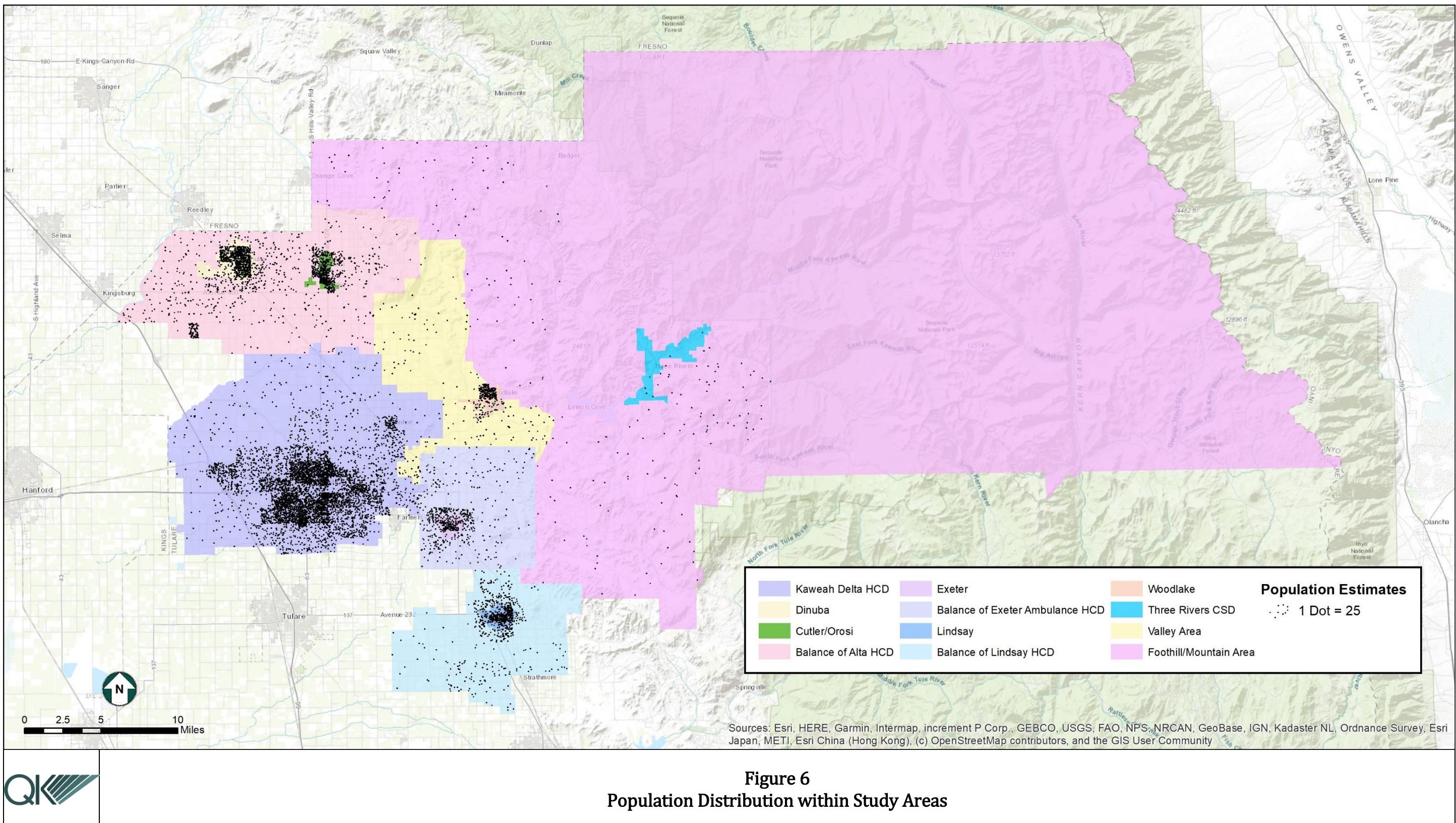
Source: American Community Survey 2017

## **2.2 - Registered Voters and Participation Rates**

The total number of registered voters within the study areas is 99,684. The Kaweah Delta HCD has approximately 69% (68,451 voters) of the total registered voters within the study areas, five times as many registered voters as the next highest study area, Alta HCD (14,038 voters).

With respect to the voting participation rate in the last primary election of the corresponding study areas, Exeter Ambulance HCD has the highest participation rate of all the study areas (49.4%). Kaweah Delta HCD the third (35.3%), Alta HCD the lowest (28.4%).

If participation rates are low in a study area, it can be assumed that it may be less likely that the served community would wish to garner votes to legitimately protest any reorganization action, such as a consolidation or annexation. Due to the fact that 50% of the registered voters within an area would need to file a written protest to a consolidation proposal to effect termination of Board-agreed consolidation, or 25% to require a public vote, it seems unlikely that areas with an election participation rate below 40% would effectively organize and garner support to challenge Board-desired consolidation. The protest provisions and processes for reorganization are discussed further in Section 3.

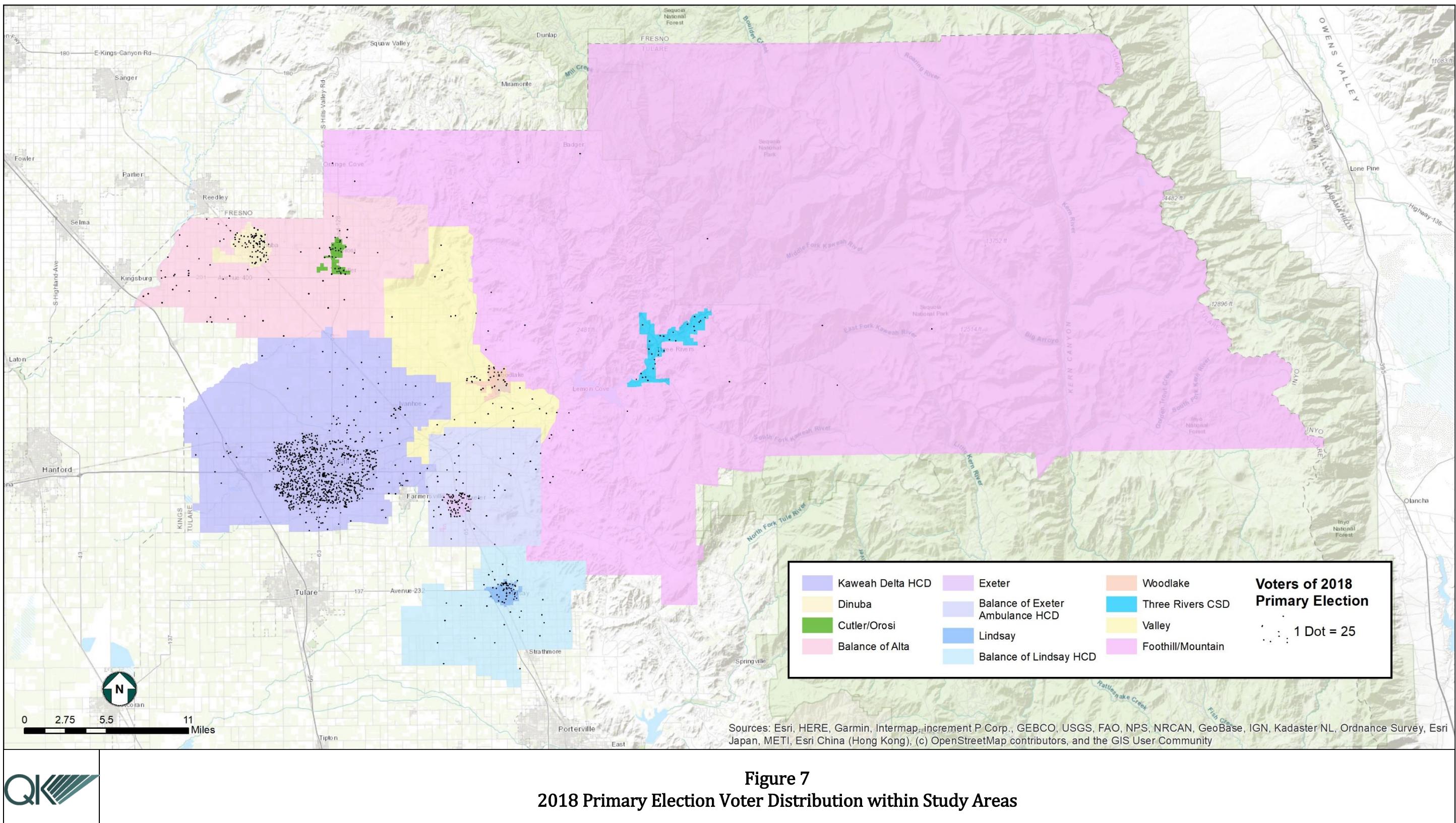


Registered voter counts and primary election participation rates are shown in Table 3. A map of the location of 2018 primary election voters is provided as Figure 7.

**Table 3**  
**Registered Voters and Voter Participation Rates within Study Areas**

Study Area	Registered Voters	% of Total	Voted in 2018 Primary Election	% of Total	2018 Primary Participation Rate
<b>Kaweah Delta Health Care District</b>	<b>68,451</b>	<b>68.7%</b>	<b>24,129</b>	<b>67.7%</b>	<b>35.3%</b>
<b>Alta Hospital District</b>	<b>14,038</b>	<b>14.1%</b>	<b>3,986</b>	<b>11.2%</b>	<b>28.4%</b>
Within Dinuba	7,337	7.4%	1,797	5.0%	24.5%
Within Cutler or Orosi	2,461	2.5%	617	1.7%	25.1%
Balance of District	4,240	4.3%	1,572	4.4%	37.1%
<b>Exeter District Ambulance</b>	<b>5,665</b>	<b>5.7%</b>	<b>2,796</b>	<b>7.8%</b>	<b>49.4%</b>
Within Exeter	3,371	3.4%	1,676	4.7%	49.7%
Balance of District	2,294	2.3%	1,120	3.1%	48.8%
<b>Lindsay Local Hospital District</b>	<b>5,502</b>	<b>5.5%</b>	<b>1,928</b>	<b>5.4%</b>	<b>35.0%</b>
Within Lindsay	3,109	3.1%	1,068	3.0%	34.4%
Balance of District	2,393	2.4%	860	2.4%	35.9%
<b>Northeast County (no district)</b>	<b>6,028</b>	<b>6.0%</b>	<b>2,798</b>	<b>7.9%</b>	<b>46.4%</b>
Within Woodlake	2,201	2.2%	588	1.6%	26.7%
Within Three Rivers CSD	530	0.5%	284	0.8%	53.6%
Valley Area	1,341	1.3%	828	2.3%	61.7%
Foothill/Mountain Area	1,956	2.0%	1,098	3.1%	56.1%
<b>TOTALS</b>	<b>99,684</b>	<b>100.0%</b>	<b>35,637</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Statewidedatabase.org



## **2.3 - Assessed Valuation of Properties**

Assessed valuation of properties within the Study Area were gathered from Tulare County through the Tulare County Assessor's Office and GIS Departments. The total assessed valuation of property was organized by each study area and summarized. This valuation information may be used to calculate distribution of assessments related to existing health care facilities operation and maintenance and to a future bond measure.

The total assessed valuation for all the study areas is \$19.4 billion. The Kaweah Delta HCD has approximately 68% (\$13,215,046,432) of the total valuation, five times as much assessed valuation as the next largest study area, Alta Hospital District (\$2,660,999,263).

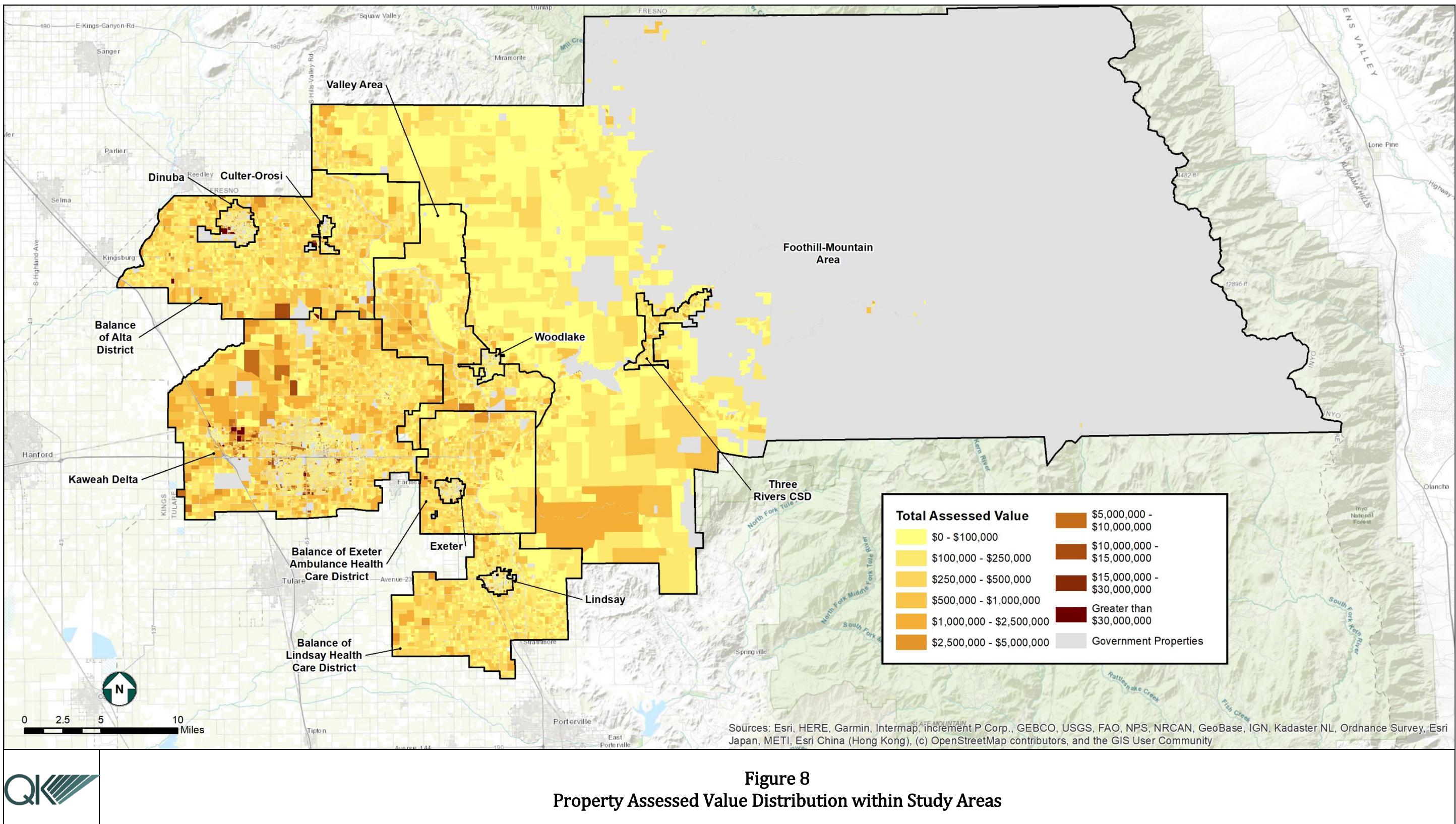
The assessed valuations of each study area are shown in Table 4. An assessed value map is provided as Figure 8.

**Table 4**  
**Assessed Valuation within Study Areas**

Study Area	Total Parcels	% Parcels	Assessed Value	% Value
<b>Kaweah Health Care District</b>	<b>51,072</b>	<b>60.7%</b>	<b>\$13,215,046,432</b>	<b>68.1%</b>
Alta Hospital District	13,013	15.5%	\$2,660,999,263	13.7%
Within Dinuba	6,041	7.2%	\$1,188,396,485	6.1%
Within Cutler or Orosi	2,373	2.8%	\$309,461,788	1.6%
Balance of District	4,599	5.5%	\$1,163,140,990	6.0%
<b>Exeter District Ambulance</b>	<b>5,800</b>	<b>6.9%</b>	<b>\$1,220,648,355</b>	<b>6.3%</b>
Within Exeter	3,344	4.0%	\$602,026,922	3.1%
Balance of District	2,456	2.9%	\$618,621,433	3.2%
<b>Lindsay Local Hospital District</b>	<b>6,148</b>	<b>7.3%</b>	<b>\$987,860,159</b>	<b>5.1%</b>
Within Lindsay	2,924	3.5%	\$454,274,342	2.3%
Balance of District	3,224	3.8%	\$533,585,817	2.7%
<b>Northeast County Area</b>	<b>8,174</b>	<b>9.7%</b>	<b>\$1,335,023,308</b>	<b>6.9%</b>
Within Woodlake	1,832	2.2%	\$245,796,305	1.3%
Within Three Rivers CSD	1,483	1.8%	\$312,660,449	1.6%
Valley Area	1,920	2.3%	\$370,419,649	1.9%
Foothill/Mountain Area	2,939	3.5%	\$406,146,905	2.1%
<b>TOTALS</b>	<b>84,207</b>	<b>100.0%</b>	<b>\$19,419,577,517</b>	<b>100.0%</b>

**Source:** Tulare County GIS and Assessor's Office

**Note:** Approximately \$759 million (3.9% of all assessed value for government facilities within the study areas) was removed from the total assessed property value, as it does not contribute to bond repayment.



## **2.4 - Community Facilities Financing**

It is currently envisioned by Kaweah Delta that the total amount(s) and timing, of bond issue financing for essential new Hospital facilities would be significantly less than previously contemplated; that maximum feasible usage of other financing sources would be employed.

In view of that assumption, data is presented here regarding calculated costs to homeowners and other taxpayers for bond issues of \$50, \$75 and \$100 million dollars. These bond issue amounts, and the tax impacts thereof, might have to be repeated at some significantly later date if facilities construction is planned on an as-needed basis.

Tables 5 and 6 provide data for quick estimation of approximate bond issue-related costs for residential properties within Kaweah Delta only. (Approximate estimation of equivalent tax rates for various study area-related District boundary combinations can be made based on the assessed values in Table 4.) Table 6 specifically shows the variation of assessed values through the study area and provides insight as to the level of how much of an assessment may be within the corresponding community.

**Table 5**  
**Cost Impacts, Residential Properties –**  
**Bond Issues for Hospital Facilities (Kaweah Delta only)<sup>6</sup>**

Bond Issue Amount	\$100,000 Assessed Value	\$125,000 Assessed Value	\$175,000 Assessed Value	\$200,000 Assessed Value	\$250,000 Assessed Value
\$50,000,000	\$20.57	\$25.71	\$36.00	\$41.14	\$51.42
\$75,000,000	\$30.86	\$38.57	\$54.00	\$61.72	\$77.15
\$100,000,000	\$41.14	\$51.43	\$72.00	\$82.29	\$102.86

**Table 6**  
**Median Single-family Home Assessed Values<sup>7</sup>**

Community	Median Assessed Value
Kaweah Delta Health Care District	\$201,721
Alta Hospital District	\$135,592
Exeter District Ambulance	\$160,573
Lindsay Local Hospital District	\$119,786
Woodlake	\$105,622
Three Rivers	\$189,801

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<sup>6</sup> Assuming 3 ½ bond interest rate, 30-year bond

<sup>7</sup> Tulare County Assessor Records

The required capital recovery 'rate'<sup>8</sup> (.05437) remains the same regardless of the assessed value upon which the capital recovery factor, at 30 years and 3 ½% interest is based.

Within the existing Kaweah Delta District boundaries, the recovery factor will apply to the total assessed value of the District, \$13,215,046,432.

Should Kaweah Delta Health Care District, for example, consolidate with Alta Hospital District, which has an assessed value of approximately \$2,659,000,000, the combined assessed value of the two Districts would create a 20.1% increase in total assessed value. The corresponding rate reductions enabling the same bond repayments of \$50,000,000, \$75,000,000 or \$100,000,000 bonds would be in the order of a 20% reduction in Kaweah Delta costs. Multiple alternative scenarios are shown in Table 7 in the event the District were to consolidate or annex other districts or areas.

It is critical to note that bond-based tax rates and resulting assessments relate not only to homeowner costs but to major taxpayers such as industries and farms. It will be incumbent upon Kaweah Delta, and to any cooperating District to fully involve such taxpayers in planning for District boundary adjustments.

Although there are a number of alternative consolidation/annexation combinations, an example of cost reduction would be the consolidation or annexation of all the study areas. The total assessed value base for bond repayment by all study areas would be \$19,419,577,517; the resulting rate reductions would be in the order of 32% of Kaweah Delta costs.

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<sup>8</sup> The capital recovery factor is the uniform payment to be received for a set number of years such that the total present value of all these equal payments is equivalent to a payment amount at a specific interest rate.

**Table 7**  
**Median Single-family Assessed Values<sup>9</sup> and Related Bond Issue Costs**

Median Assessed Value	\$50,000,000 Bond Issue	\$75,000,000 Bond Issue	\$100,000,000 Bond Issue
No Consolidation			
Kaweah Delta Health Care District	\$201,721	\$41.50	\$62.25
With Kaweah Delta + Alta Hospital District Consolidation			
Kaweah Delta Health Care District	\$201,721	\$34.54	\$51.81
Alta Hospital District	\$135,592	\$23.22	\$34.83
With Kaweah Delta + Exeter District Ambulance Consolidation			
Kaweah Delta Health Care District	\$201,721	\$37.99	\$56.98
Exeter District Ambulance	\$160,573	\$30.24	\$45.36
With Kaweah Delta + Lindsay Local Hospital District Consolidation			
Kaweah Delta Health Care District	\$201,721	\$38.61	\$57.92
Lindsay Local Hospital District	\$119,786	\$22.93	\$22.93
With Kaweah Delta + Woodlake, Three Rivers, and Unincorporated Area Annexation			
Kaweah Delta Health Care District	\$201,721	\$37.69	\$56.53
Woodlake	\$105,622	\$19.73	\$29.60
Three Rivers CSD	\$189,801	\$35.46	\$53.19
Valley Area	\$82,779	\$15.47	\$23.20
Foothill Area	\$149,653	\$27.96	\$41.94
With Kaweah Delta + All Areas Consolidation/Annexation			
Kaweah Delta Health Care District	\$201,721	\$28.24	\$42.36
Alta Hospital District	\$135,592	\$18.98	\$28.47
Exeter District Ambulance	\$160,573	\$22.48	\$33.72
Lindsay Local Hospital District	\$119,786	\$16.77	\$25.15
Woodlake	\$105,622	\$14.79	\$22.18
Three Rivers CSD	\$189,801	\$26.57	\$39.86
Valley Area	\$82,779	\$11.59	\$17.38
Mountain Area	\$149,653	\$20.95	\$31.43

<sup>9</sup> Tulare County Assessor Records

## **SECTION 3 - CONSOLIDATION/ANNEXATION LAW AND PROCEDURES**

There are multiple scenarios by which Kaweah Delta HCD could add territory into its District. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) governs the provisions related to district boundary reorganizations. These provisions are administered locally by Tulare County Local Agency Formation Commission (LAFCo). The recommended reorganization processes available through the Tulare County LAFCo are as follows:

- Consolidation of two or more hospital districts; and
- Annexation of new territory not within an existing hospital district.

Each one of the two reorganization processes are subject to various provisions of notification, public hearing, and possible election before registered voters and/or property owners within the territory affected. Each process is articulated in more detail within this section.

District dissolution with subsequent annexation is another process for reorganization. However, it is not recommended given perceived negative attitudes regarding dissolutions and could provide to be difficult to garner support.

All procedural information related to the consolidation of districts was obtained from the California LAFCo (CALAFCo) White Paper "The Metamorphosis of Special Districts: Current Methods for Consolidation, Dissolution, Subsidiary District Formation and Merger." Annexation information was obtained from Tulare LAFCo's Local Policies and Procedures Manual.

### **3.1 - Consistency with LAFCo Policy**

The preamble of CKH contains a number of legislative findings and declarations that serve as a general guide for LAFCo and their purpose for being. The first and main declaration is that it is the policy of the state to encourage orderly growth and development, as essential to the social and economic well-being of the State.

The Legislature has also found, and declared within CKH, that a single multipurpose governmental agency, such as City, is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas. Nonetheless, the Legislature recognizes the critical role of many limited purpose agencies, such as health care districts, especially in rural communities. The Legislature also found that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.

The issue of consolidation or further annexation of underserved areas with any of the hospital districts and service providers must be consistent with the policy guidance of CKH

and LAFCo's mandate to provide service accountability to residents. Kaweah Delta HCD is providing services to residents both inside and outside of its boundaries, some of which are within other districts which are not providing services. Therefore, it is reasonable to consider Kaweah Delta HCD as the best agency to continue providing such services, consistent with LAFCo's general mandates and principles.

### **3.2 - *Consolidation***

Under CKH, "District Consolidation" means the uniting or joining of two or more like special districts into a single new successor special district.<sup>10</sup> The proceedings for a consolidation of special districts must be conducted according to the principal act of the district to be formed, in this case the Local Health Care District Law (Health and Safety Code Sections 32000 to 32492).

#### **3.2.1 - *INITIATION BY KAWEAH DELTA HCD AND ANOTHER SUPPORTIVE DISTRICT***

Consolidation may be initiated by the legislative bodies of two or more like special districts. In order to start the consolidation process, the districts must adopt "substantially similar" Resolutions of Application to consolidate the districts.<sup>11</sup> The Resolutions of Application must:<sup>12</sup>

- State the proposal is made [pursuant to Part 3 of Division 3 of the Act [§ 56650 et~.]];
- State the nature of the proposal and list all proposed changes of organization;
- Set forth a description of the boundaries of the affected territory accompanied by a map showing the boundaries;
- Set forth any proposed terms and conditions;
- State the reason or reasons for the proposal; and
- State whether the proposal is consistent with the sphere of influence of any affected district.

Following adoption of the "substantially similar" Resolutions of Application, an application that contains the following items<sup>13</sup> must be filed with the Local Agency Formation Commission (LAFCo):

- A resolution of application initiating the proposal (with the above-mentioned information);
- A statement of the nature of the proposal;
- A map and description acceptable to the LAFCo Executive Officer of the boundaries of the subject territories for each proposed change of organization or reorganization;
- Any data and information that may be required by any regulation of the Commission;

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<sup>10</sup> Government Code Section 56030

<sup>11</sup> Government Code Section 56853(a)

<sup>12</sup> Government Code Sections 56654 and 56700

<sup>13</sup> Government Code Section 56652

- Any additional data and information that may be required by the executive officer pertaining to any of the matters or factors which may be considered by the commission; and
- The names of the officers or persons, not to exceed three in number, who are to be furnished with copies of the report by the executive officer and who are to be given mailed notice of the hearing.

Lastly, a Plan for Services must also be provided as part of the application to LAFCo. This Plan for Services must contain the following information:<sup>14</sup>

- An enumeration and description of the services to be extended to the affected territory;
- The level and range of those services;
- An indication of when those services can feasibly be extended to the affected territory;
- An indication of any improvement or upgrading of structures or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed;
- Information with respect to how those services would be financed; and
- Possible increase in governing Board size of a consolidating District, and potential re-drafting of in-District boundaries for Board members.

### ***3.2.2 - LAFCO REVIEW AND PROTEST PROVISIONS***

It is important to note that LAFCo may change the terms of the consolidation set forth in the districts' proposal.<sup>15</sup> However, after any material modification to any of the terms of the consolidation proposal, LAFCo must provide mailed written notice of the change to the districts and cannot move forward on the consolidation for 30 days following that mailing without the districts' written consent.<sup>16</sup> During this 30-day time period, either district may file a written demand with the LAFCo Executive Officer, demanding that LAFCo make determinations only after notice and hearing on the proposals. If no written demand is made by either district, LAFCo may make those determinations without notice or a hearing. However, LAFCo cannot make any changes that would delete or add districts to the proposed consolidation without the written consent of the applicant districts.<sup>17</sup>

Upon receiving the districts' proposals to consolidate, LAFCo must approve, or conditionally approve, the consolidation unless LAFCo receives a protest petition from the statutorily mandated number of landowners/voters required to submit the consolidation to an election, as described below.<sup>18</sup> If a conflicting proposal is submitted to LAFCo within 60 days of the

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<sup>14</sup> Government Code Section 56653(b)

<sup>15</sup> Government Code Section 53853(b)

<sup>16</sup> Government Code Section 56853(b)

<sup>17</sup> Government Code Section 56853(c)

<sup>18</sup> Government Code Section 56853(a)

submission of the proposal to consolidate, LAFCo cannot approve the proposal to consolidate until it considers the conflicting proposal.<sup>19</sup>

LAFCo will order consolidation subject to confirmation of the voters, if it receives protests meeting the voter/landowner requirements<sup>20</sup>. Since the District is not a landowner-voter district, Government Code Section 57077.2(b)(1) sets forth the following protest threshold:

A. In the case of inhabited territory, protests have been signed by the following:

- i. At least 25% of the number of landowners within the territory subject to the consolidation who own at least 25% of the assessed value of land within the territory;
- ii. At least 25% of the voters entitled to vote as a result of residing within, or owning land within, the territory; or
- iii. At least 50% of such voters.

A 25% protest requires LAFCo to submit a consolidation to the voters as calculated pursuant to Government Code Section 57077.2(b)(1), the election will be held within the territory of each district ordered to be consolidated.<sup>21</sup> LAFCo's resolution must provide the question to be submitted to the voters, specify any consolidation terms and conditions, and state the vote required to confirm the consolidation. The election procedures and requirements are set forth in Government Code Section 57125 et seq.

If an election is held and the majority of voters within the territory of any district vote against the consolidation, LAFCo must adopt a certificate of completion terminating proceedings.<sup>22</sup> However, if the majority of the voters in both districts ordered to be consolidated vote in favor of consolidation, the LAFCo Executive Officer must execute a certificate of completion confirming the order of consolidation.<sup>23</sup>

If the number of protests does not reach either of the 25% thresholds described above, no election is required to be held and LAFCo must execute a certificate of completion upholding the consolidation and making the requisite filings.<sup>24</sup>

If a 50% protest is received, no election will be held, and LAFCo will terminate the proceedings.

A flowchart that delineates the procedures of the consolidation process is provided as Figure 9.<sup>25</sup>

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<sup>19</sup> Government Code Section 56657

<sup>20</sup> Government Code 57077.2(b)(1)

<sup>21</sup> Government Code Section 57118(a)

<sup>22</sup> Government Code Sections 57177.5(b) and 57179

<sup>23</sup> Government Code Section 57177.5(a)

<sup>24</sup> Government Code Section 57200

<sup>25</sup> (San Diego Local Agency Formation Commission 2019)

### **3.2.3 - EFFECTS OF CONSOLIDATION**

After the LAFCO Executive Officer files, the requisite certificate of completion, the consolidated district succeeds to all the "powers, rights, duties, obligations, functions, and properties of all predecessor districts" which were consolidated to form a consolidated district. Included in these rights and duties, a consolidated district becomes liable to all debts of predecessor districts because it is as if the "consolidated district had been originally formed under the principal act<sup>26</sup>," unless otherwise specified in the mutual proposal of the agreed upon resolution of application to consolidate.

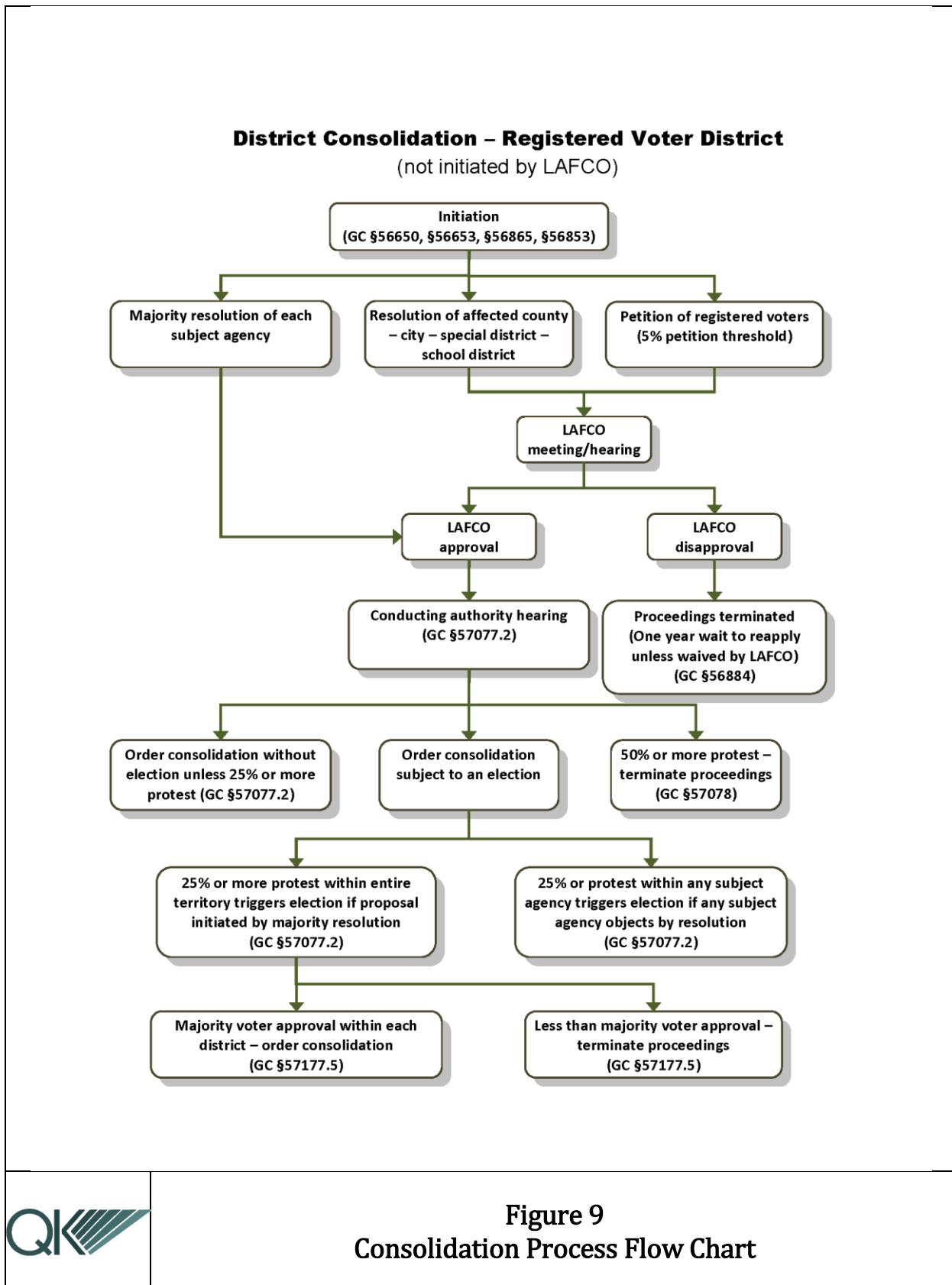
Finally, the effective date of the consolidation is the date set forth in LAFCO's resolution, so long as it is neither earlier than the date the certificate of completion is executed, nor later than nine months after an election in which the majority of voters approved the consolidation.<sup>27</sup> If LAFCO's resolution does not establish an effective date, the consolidation is effective on the date the consolidation is recorded by the county recorder.<sup>28</sup>

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<sup>26</sup> Government Code Section 57500

<sup>27</sup> Government Code Section 57202(a)

<sup>28</sup> Government Code Section 57202(c)



### ***3.3 - Annexation of Other Areas not within a District***

"District Annexation" means the inclusion, attachment, or addition of territory to a special district that was previously not within any like special district.<sup>29</sup> Annexation of territory would require outreach and discussion with the residents of the area to determine their willingness to join the district. Approaching neighborhoods or communities that have a centralized membership, such as a Board of Directors, Neighborhood Watch, Chamber of Commerce or some other similar community-based organization, would likely be needed to determine feasibility of annexation of a given area.

#### ***3.3.1 - ANNEXATION APPLICATION INITIATION AND LAFCo REVIEW PROCESS***

For an annexation application, the petitioner, which may be the Kaweah Delta HCD, is required to consult with Tulare County LAFCo about the proposal to determine legitimacy of the boundaries proposed and any other issues which may arise as part of the application.

After a pre-consultation meeting, the District would submit an application that contains an initiating resolution of the annexation, information regarding the proposal, a processing fee, and any other required information that may have been required during the consultation meeting. All the required information and documents for an application are listed below (Tulare County LAFCo 2019):

- Proposal Questionnaire
- Map of Annexation Area
- Legal Description of Annexation Area
- CEQA Environmental Assessment
- CEQA Environmental Finding
- Department of Fish and Wildlife Notice of Determination receipt
- Initiating Resolution/Petition
- Plan for Services
- A signed consent form for each assessment parcel providing consent
- Non-refundable filing fee payable to Tulare County LAFCo
- Evidence of completed pre-noticing (if applicable)
- A signed Indemnification Agreement
- A completed Financial Disclosure Statement

LAFCo staff would determine whether the application is complete, analyze the proposal to see if it meets the requirements of CKH and LAFCo policy, write a staff report, and set a public hearing or meeting date. At the scheduled meeting or public hearing, the Commission would review staff analysis, receive oral and written testimony and adopt a resolution approving or denying the proposed annexation with or without conditions.

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<sup>29</sup> Government Code Section 56017

As part of the review of the annexation application, LAFCO considers the following factors:<sup>30</sup>

Pursuant to Government Code 57000 and unless the process can be waived, the Commission is required to conduct “protest proceedings” to determine whether the proposal can be ultimately approved without election (less than 25% protest), whether an election should be held (greater than 25% but less than 50% protest), or whether the proposal must be terminated due to majority protest (more than 50% protest).

If approved, LAFCO certifies that the change of organization is complete, has the change of organization recorded by the County Clerk, notifies interested Local and State Agencies and other interested parties of the change and files a Statement of Boundary change with the State Board of Equalization (BOE). Changes that are filed with the BOE by December 1st affect the property tax rate (if applicable) for the tax year beginning March 1st of the following year. The BOE charges a filing fee that is based upon the size of the annexation. This fee is paid by the applicant of annexation.

A complete flow chart of the annexation process is provided as Figure 10.<sup>31</sup>

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<sup>30</sup> Government Code Section 56668

<sup>31</sup> (San Diego Local Agency Formation Commission 2019)

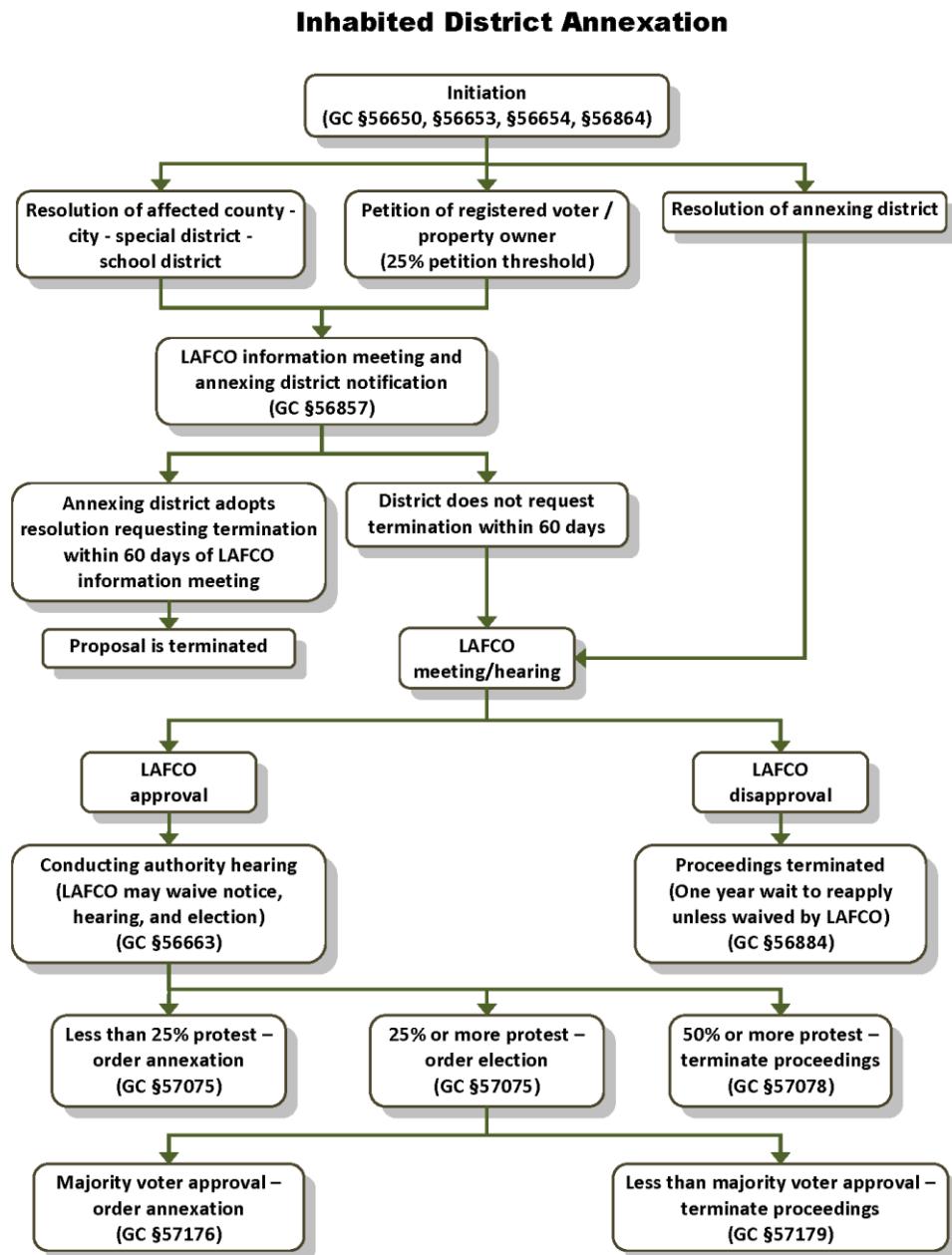


Figure 10  
Inhabited Annexation Process Flow Chart

## **SECTION 4 - ANALYSIS AND AREA-RELATED RECOMMENDATIONS**

### ***4.1 - Potential Consolidation/Annexation Conditions***

Districts, or areas considering consolidation or annexation should not be responsible for taxes based on past Kaweah Delta bond issue repayment costs.

Agreements regarding consolidation or annexation should consider the possibility that a percentage of the tax revenues from such actions be utilized, to the extent feasible, to expand health care services in the participating communities.

### ***4.2 - Existing Services***

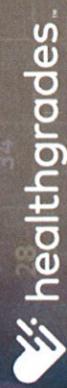
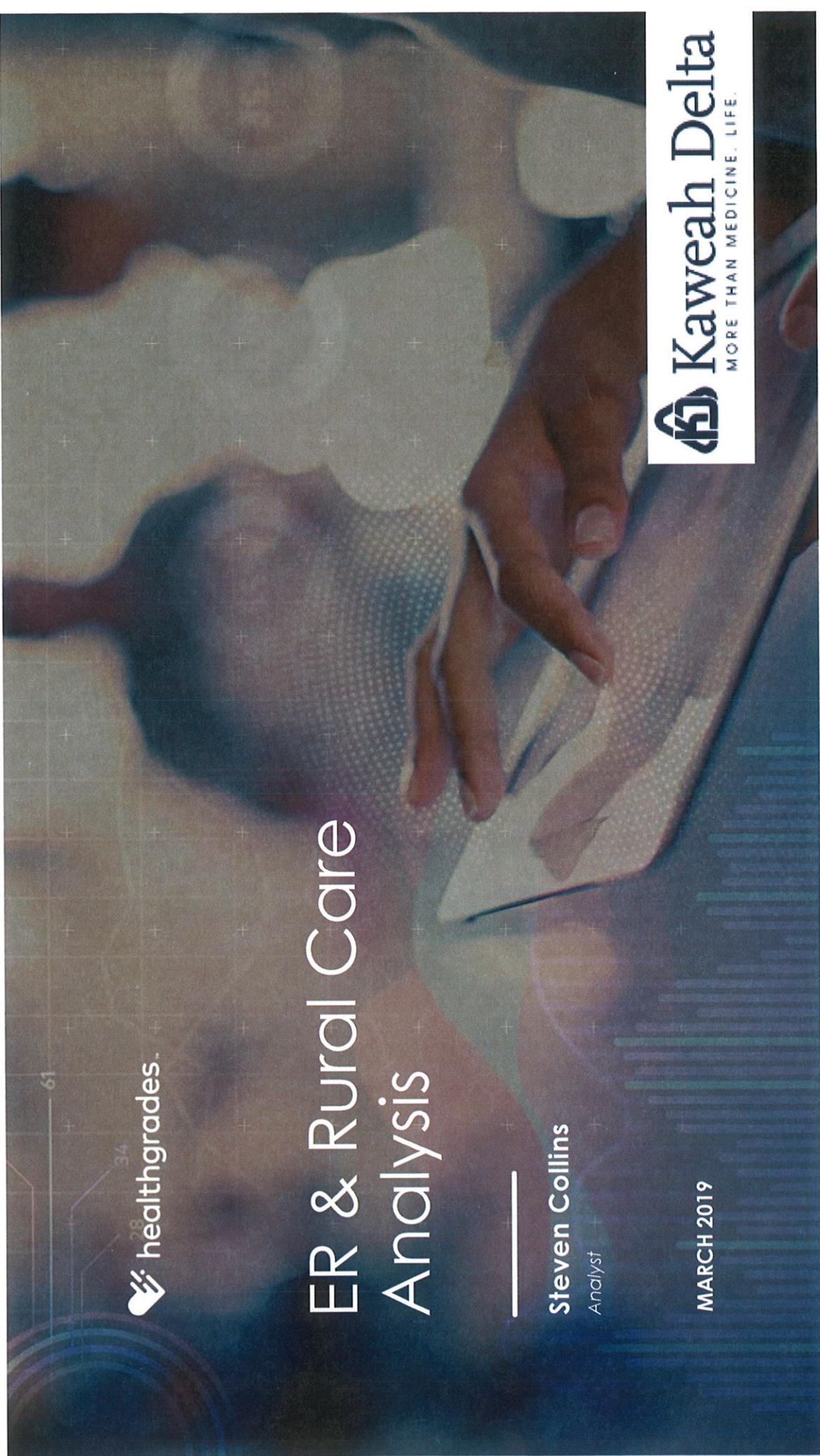
Existing services provided by Districts considering consolidation, such as the ambulance service provided by Exeter District Ambulance, could conceivably be expanded to serve other communities such as Woodlake, Lindsay, Three Rivers, and Cutler/Orosi.

### ***4.3 - District/Community Approaches***

It is critical that all Districts and potential service area governments representing possible candidates for consolidation or annexation be openly and affirmatively contacted at an early date.

Such contacts should include communities without rural health care services, and a domesticated need for specific services or facilities.

**APPENDIX A**  
**ER AND RURAL HEALTH CARE USAGE DATA**



# ER & Rural Care Analysis

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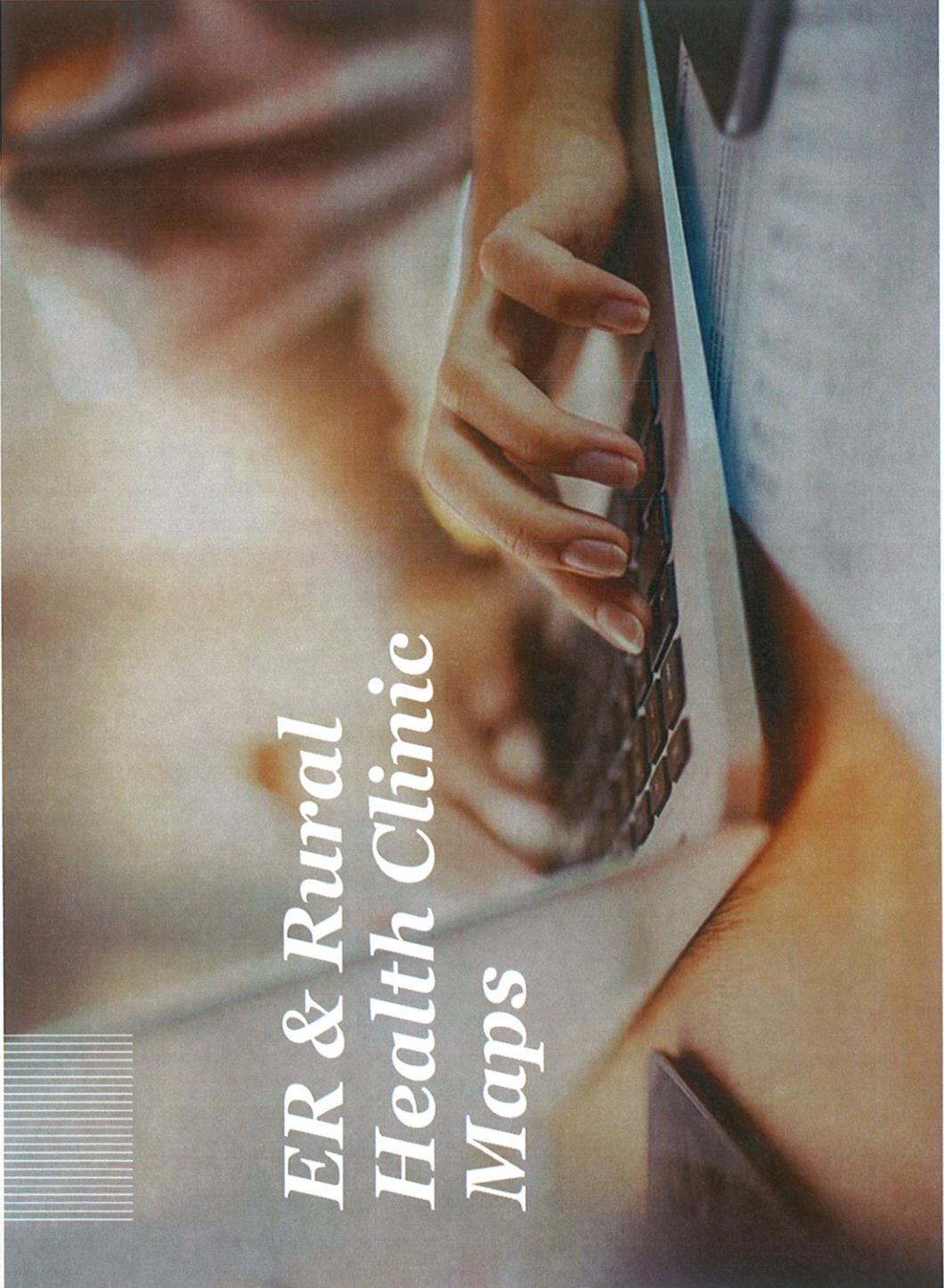
**Steven Collins**  
Analyst

MARCH 2019

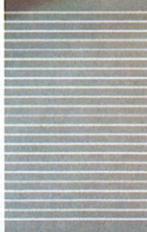


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## ER & Rural Health Clinic Maps

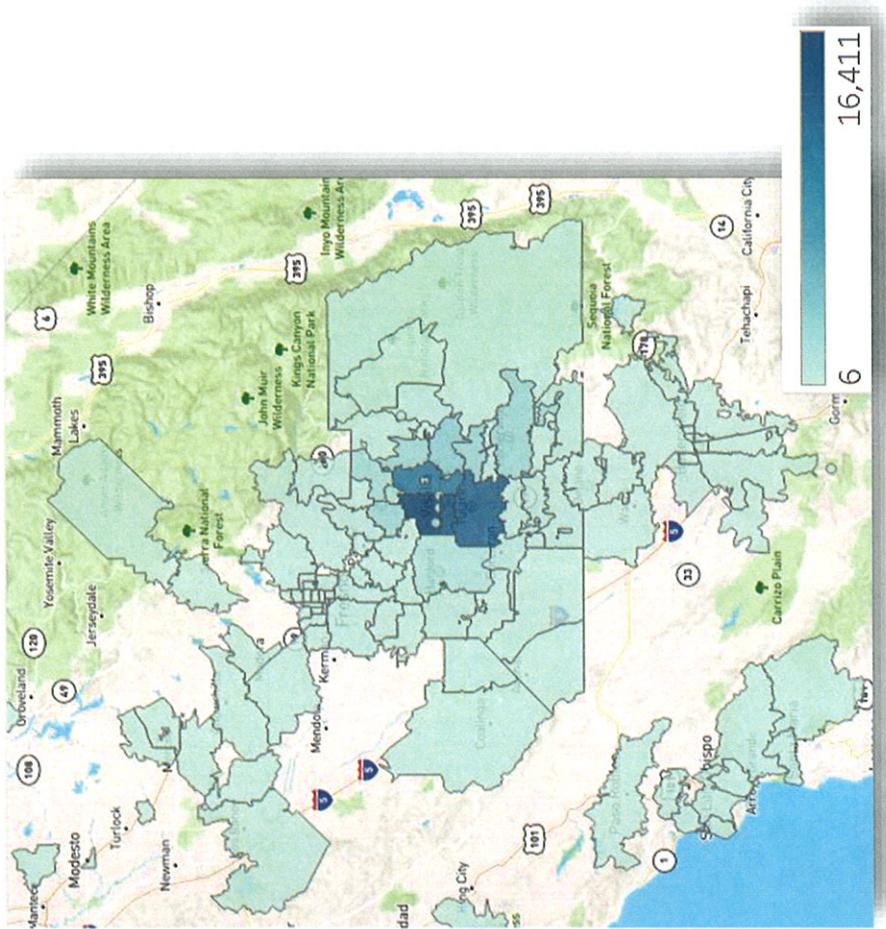


# Research Overview

- **Objective:**  
For individuals who utilize the ED and Rural Health Clinics, where are those patients coming from? How far are they traveling to reach the location?  
Limiting to zip codes that had more than 5 individuals utilizing.
- **Research Time Frame:**  
Individuals who utilized the ED or Rural Health Clinic in CY17/18.

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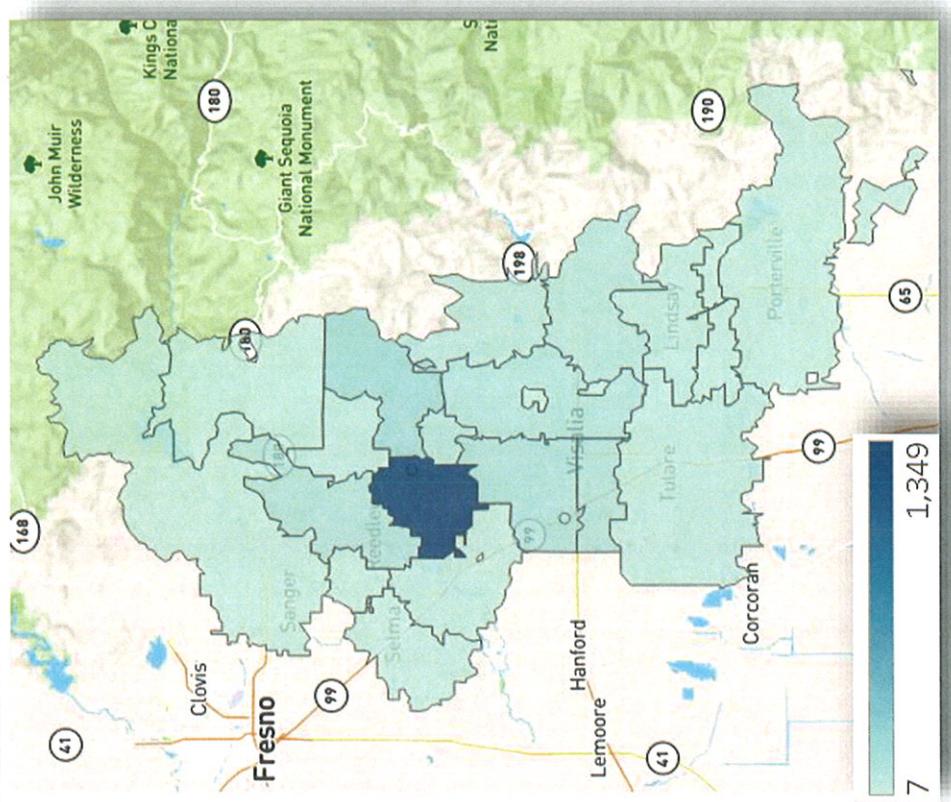
Postal Code	Count
93291	16,411
93277	14,133
93274	13,368
93292	11,203
93221	3,756
93223	3,335
93247	2,653
93257	2,608
93286	2,500
93618	2,253
93647	1,835
93235	1,400
93230	1,298
93615	1,202
93212	691
93256	623
93245	533
93267	507
93219	477
93272	429
93275	399
93227	365
93279	359
93278	348
93271	286



Distance	Percent
Less than 5 Miles	40.62%
5 - 10 Miles	25.73%
10-15 Miles	12.01%
15-20 Miles	6.74%
20-25 Miles	6.26%
25+ Miles	8.64%

## Dinuba Rural Health Clinic

Postal Code	Count
93618	1,349
93647	180
93291	128
93277	114
93292	100
93654	96
93615	81
93221	75
93286	58
93247	46
93223	37
93274	37
93646	37
93631	25
93675	15
93235	15
93648	13
93257	13
93666	13
93662	12
93227	8
93657	7
93267	7



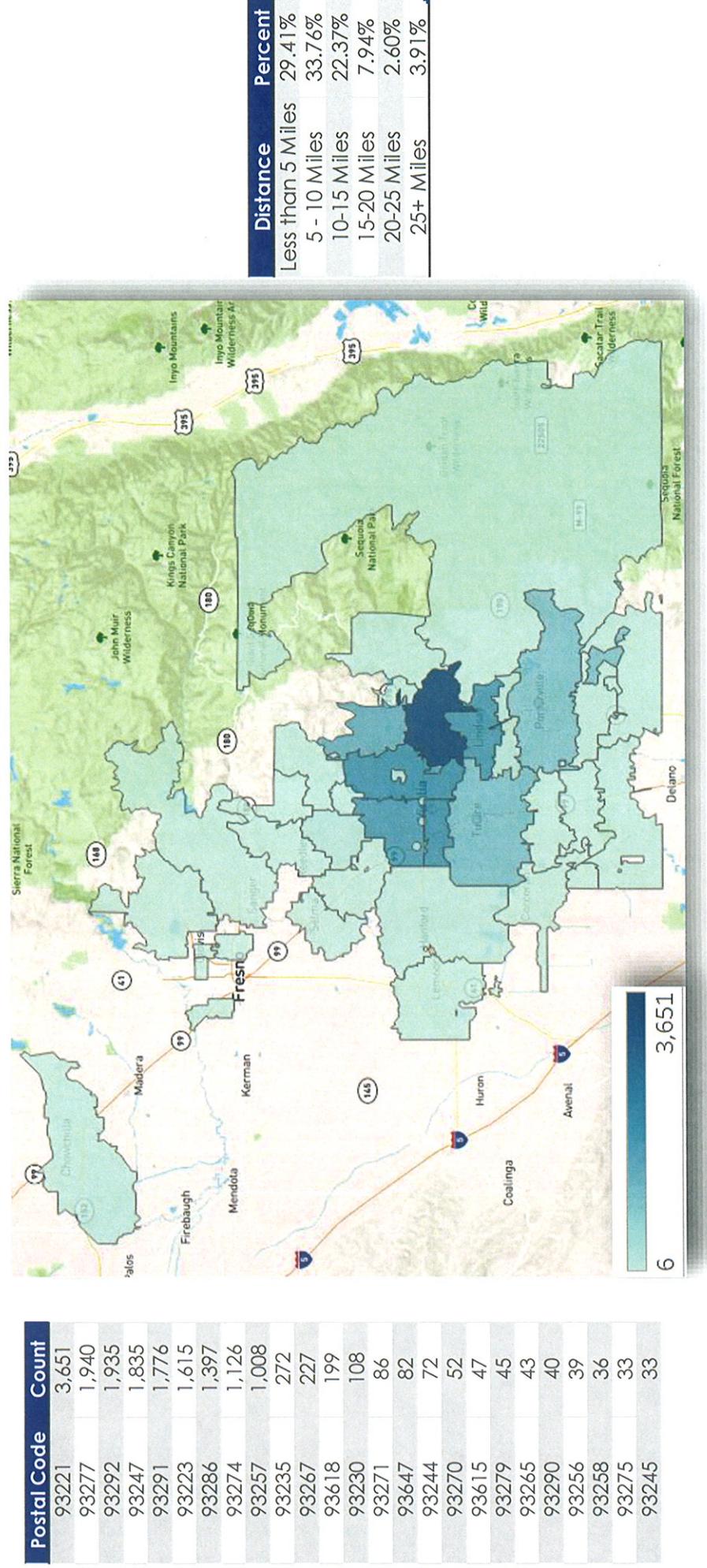
Distance	Percent
Less than 5 Miles	55.59%
5 - 10 Miles	14.35%
10-15 Miles	6.28%
15-20 Miles	12.55%
20-25 Miles	5.93%
25+ Miles	5.30%

1,349  
7

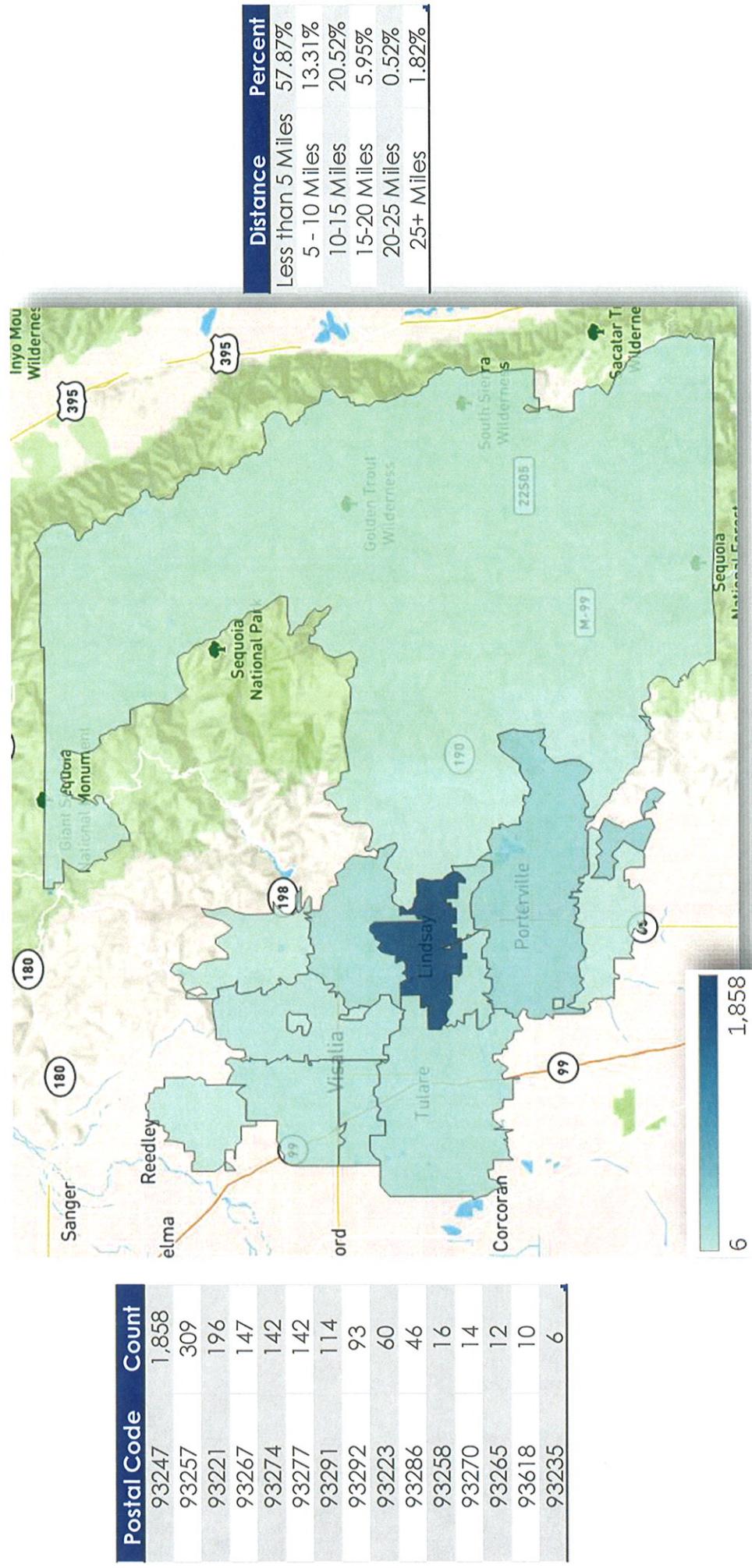
1,349  
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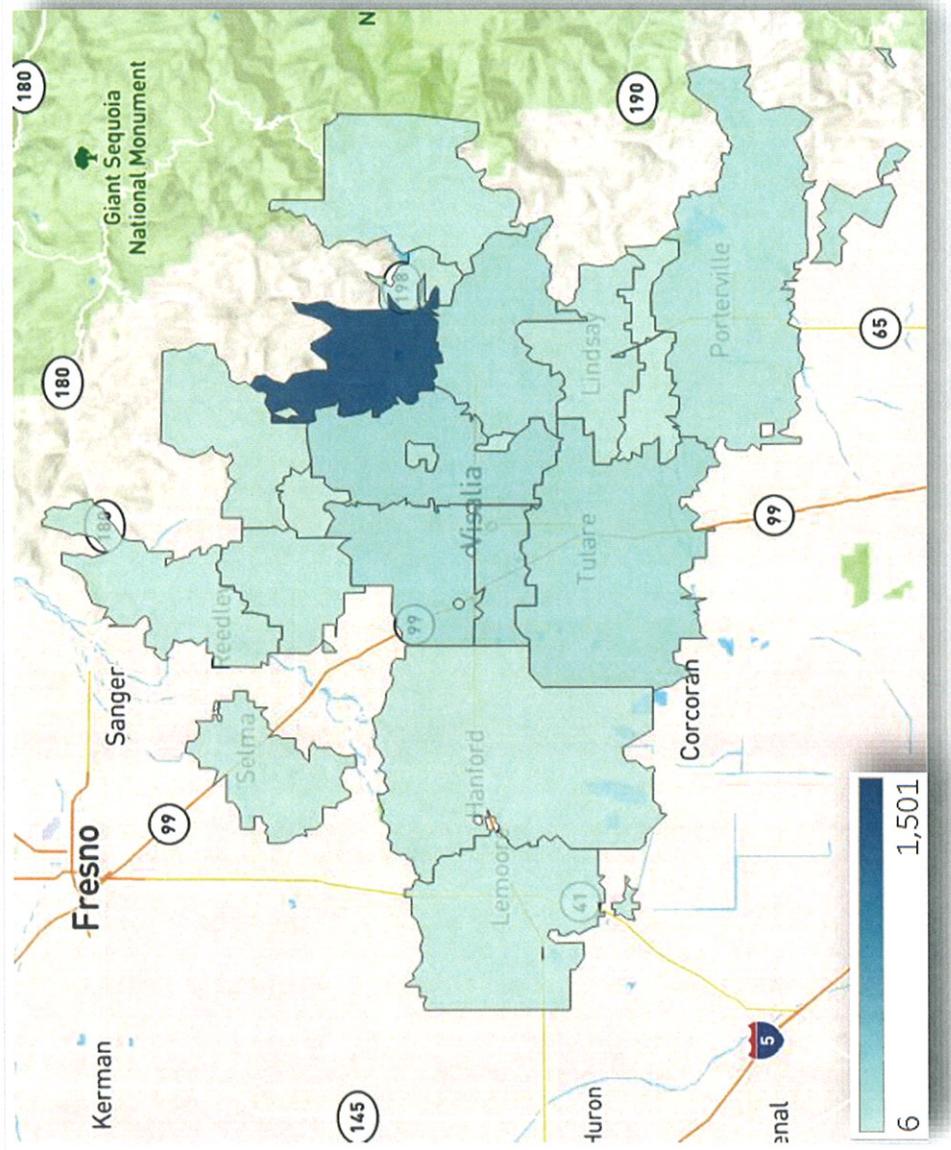
# Exeter Rural Health Clinic



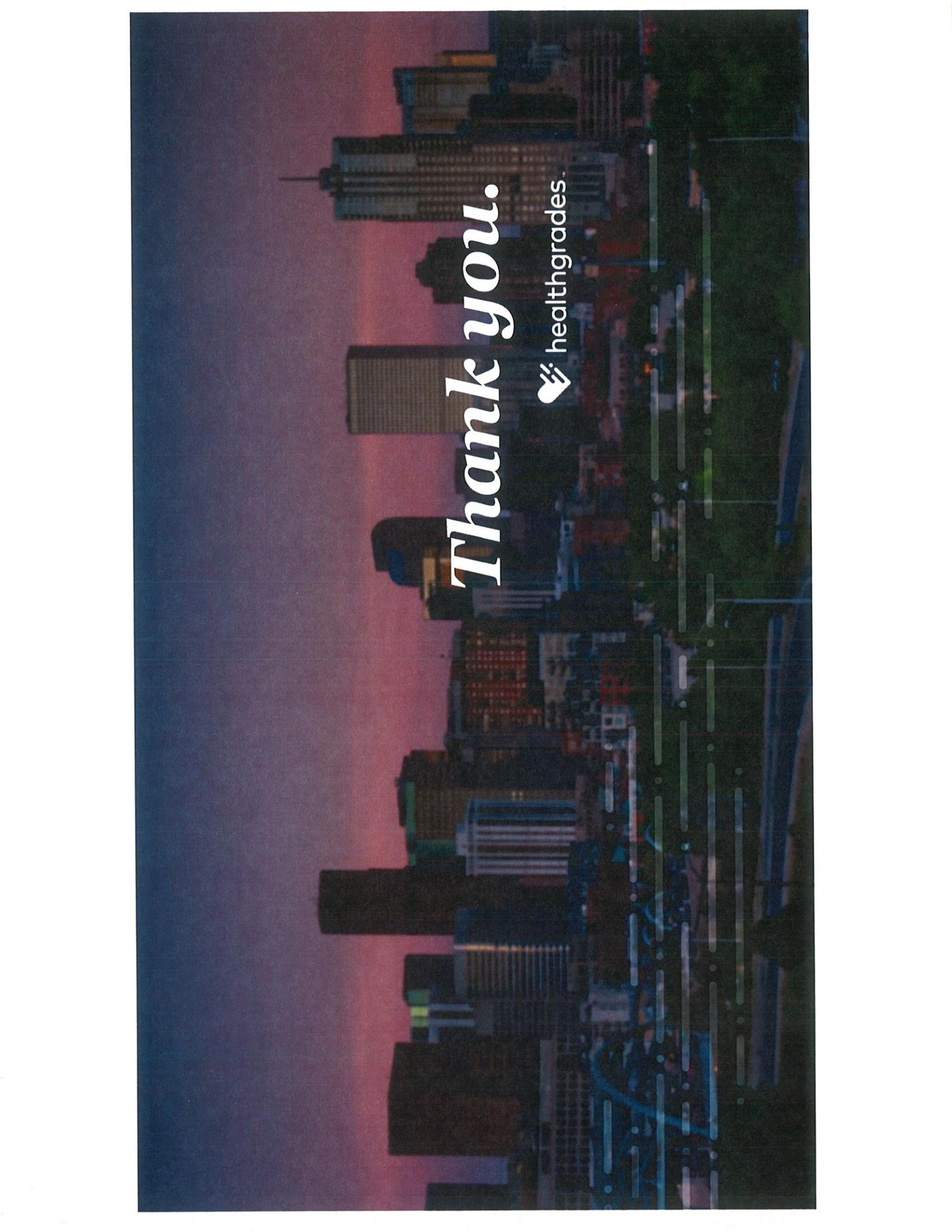
# Lindsay Rural Health Clinic



## Woodlake Rural Health Clinic



Postal Code	Count
93286	1,501
93292	206
93277	186
93274	167
93291	166
93221	139
93235	105
93257	102
93247	66
93223	51
93618	43
93244	28
93647	27
93271	27
93230	24
93615	12
93267	11
93654	11
93245	8
93227	7
93278	6
93279	6
93290	6
93662	6



Thank you.

